

## Message Text

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PAGE 01 OSLO 01754 151043Z

ACTION EUR-12

INFO OCT-01 ARA-06 EA-07 ISO-00 CIAE-00 PM-04 INR-07

L-03 ACDA-07 NSAE-00 PA-01 SS-15 PRS-01 SP-02

USIA-06 TRSE-00 H-01 NSC-05 IO-13 EB-08 AID-05

OMB-01 COME-00 /105 W

-----151211Z 088293 /22

R 150905Z APR 77

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 3554

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAID, EFIN, PFOR, NO , PO

SUBJ: PORTUGUESE PRIME MINISTER VISITS NORWAY-ECONOMIC ISSUES  
AND CONSORTIUM AID

REF: A. OSLO 1686, (NOTAL), (B) STATE 72280, (C) STATE 73051, (D)

OSLO 1190 (NOTAL)

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PAGE 02 OSLO 01754 151043Z

1. FOLLOWING UP REPORTING IN REFTEL A ON PORTUGUESE PRIME MINISTER  
SOARES' RECENT VISIT TO NORWAY, EMBOFF CALLED ON TORE BOGH,  
DIRECTOR GENERAL OF FOREIGN MINISTRY ECONOMIC DEPARTMENT, TO  
DISCUSS IN DETAIL ECONOMIC ASPECTS OF SOARES' VISIT. OFFICIALS  
FROM MFA'S ECONOMIC AND SOCIAL DEVELOPMENT DEPARTMENT ALSO SAT IN.  
BOGH PARTICIPATED IN THE 3 OR 4 HOURS OF THE SOARES VISIT DEVOTED

TO ECONOMIC IN HIS CAPACITY AS GON VICE-CHAIRMAN OF THE NORWEGIAN-PORTUGUESE ECONOMIC COMMISSION (FINANCE MINISTER KLEPPE HEADS THE NORWEGIAN SIDE).

2. BOGH'S GENERAL DESCRIPTION OF ECONOMIC DISCUSSIONS DURING SOARES' VISIT CORRESPONDED TO WHAT WE REPORTED PREVIOUSLY IN PARA 3 OF REF A. SOARES HIMSELF GAVE LONG STATEMENT ON THE FRAGILE STATUS OF THE PORTUGUESE ECONOMY, REFERRING IN PARTICULAR TO THE LARGE DEFICIT IN PORTUGAL'S BALANCE OF PAYMENTS, THE DECLINE IN THE GNP GROWTH RATE, UNEMPLOYMENT, INFLATION, AND THE PROBLEMS OF RESETTLING REFUGEES FROM ANGOLA AND MOZAMBIQUE. THE PORTUGUESE MINISTER OF PLANNING ALSO GAVE WHAT BOGH DESCRIBES AS A "VERY INTERESTING PRESENTATION," POINTING PARTICULARLY TO PROBLEMS ARISING FROM INVESTOR UNCERTAINTY IN PORTUGAL AND TO THE NEED FOR STRUCTURAL REFORMS IN THE ECONOMY.

3. AS ADDRESSEES AWARE, NORWAY HAS INDICATED PUBLICLY ITS WILLINGNESS TO PARTICIPATE IN USG- INITIATED CONSORTIUM EFFORT TO AID PORTUGAL (REFS B, C, D) EMBOFF ASKED BOGH WHETHER SOARES OR OTHER PORTUGUESE OFFICIALS MADE ANY SPICIFIC COMMENTS ON THE CONSORTIUM EFFORT WHILE HERE IN NORWAY. BOGH REPLIED THAT SOARES WAS VERY GENERAL IN HIS REMARKS, THANKING THE NORWEGIANS FOR THEIR PLEDGE TO PARTICIPATE BUT BEING CAREFULLY GENERAL IN HIS COMMENTS ON HOW THE CONSORTIUM AID MIGHT BEST BE USED BY HIS GOVERNMENT. BOGH OPINED THAT ANY ASSISTANCE AT ALL, OF WHATEVER TYPE, WOULD BE MORE THAN WELCOME IN PORTUGAL.

4. THE NORWEGIANS, FOR THEIR PART, WANT TO SEE THE CONSORTIUM LIMITED OFFICIAL USE

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PAGE 03 OSLO 01754 151043Z

EFFORTS FOCUSED ON ECONOMIC DEVELOPMENT AND NOT RPT NOT ON BALANCE OF PAYMENTS PROBLEMS. WHEN FIANCE MINISTER KLEPPE STRESSED THIS POINT TO SOARES, BOGH REPORTED THAT SOARES SEEMED TO "NOD HIS HEAD IN AGREEMENT." SOARES ALSO REFERRED TO PORTUGAL'S GOLD RESERVES WHICH ARE SERVING AS COLLATERAL TO OTHER DEVELOPMENT-TYPE LOANS, BOGH SAID THE NORWEGIANS TAKE THE EXISTENCE OF PORTUGUESE GOLD RESERVES AS ANOTHER ARGUMENT AGAINST BALANCE OF PAYMENT TYPE ASSISTANCE.

5. EMBOFF AND MFA OFFICIALS THEN DISCUSSED OTHER DONOR COMMITMENTS TO PARTICIPATE IN PROPOSED CONSORTIUM (REFS B AND C). BOGH ASKED WHAT EMBOFF COULD SAY ON THERE MATTERS STAND. HE SPECIFICALLY REFERRED TO THE MARCH 4 WASHINGTON DISCUSSIONS ON THE CONSORTIUM BETWEEN NORWEGIAN AMBASSADOR SOMMERFELT AND TREASURY SECRETARY COOPER. BOGH ALSO MENTIONED LOWER-LEVEL CONTACTS BETWEEN THE NORWEGIAN EMBASSY IN WASHINGTON AND THE TREASURY DEPARTMENT, AND WONDERED WHETHER EMBASSY HAD ANY FEEDBACK FROM THESE MEETINGS. OUR ANSWER WAS NO. BOGH REITERATED THAT THE GON WOULD BE AGREEABLE TO A MEETING OF

POTENTIAL DONORS AS SUGGESTED BY TREASURY UNDER SECRETARY SOLOMON ON MARCH 4, OR TO ANY OTHER STEP WHICH WOULD MOVE THE CONSORTIUM EFFECT FORWARD. BOGH WONDERED WHETHER LACK OF FEEDBACK RESULTED FROM POSSIBLE ADMINISTRATION OR CONGRESSIONAL PREFERENCE FOR MONETARY ASSISTANCE TO AID PORTUGUESE BALANCE OF PAYMENTS, RATHER THAN DEVELOPMENT ASSISTANCE, BUT EMBOFF UNABLE TO COMMENT ON THIS.

6. COMMENT: THE GON ATTACHES GREAT IMPORTANCE TO CONTRIBUTING TO SOUND ECONOMIC DEVELOPMENT IN PORTUGAL, AND FOCUSES ITS EFFORTS THROUGH THE JOINT ECONOMIC COMMISSION, EFTA COOPERATION, AND BILATERAL ASSISTANCE (GON AID IS APPROXIMATELY TEN MILLION DOLLARS A YEAR). GON HAS NOW MADE A DECISION TO PARTICIPATE IN THE CONSORTIUM BUT SEEMS TO BE FRUSTRATED BY LACK OF INFORMATION OR FEEDBACK. IT WOULD CLEARLY LIKE TO SEE THE CONSORTIUM EFFORTS DIRECTED TOWARD PORTUGUESE ECONOMIC DEVELOPMENT, BUT IN OUR OPINION IS NOT WEDDED TO THIS APPROACH. WHAT LIMITED OFFICIAL USE

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PAGE 04 OSLO 01754 151043Z

CAME OUT OF DISCUSSIONS WITH BOGH WAS NORWEGIAN DESIRE TO DEMONSTRATE SOLIDARITY AND SUPPORT FOR PORTUGAL AND CONCERN ON THEIR PART THAT THE CONSORTIUM EFFORT MOVE ALONG IN TIMELY MANNER GIVEN POLITICAL AND ECONOMIC UNCERTAINTIES IN PORTUGAL TODAY.

7. ACTION REQUESTED: GIVEN THE GON'S REQUEST FOR AN UPDATE, EMBASSY WOULD APPRECIATE A STATUS REPORT ON CONSORTIUM EFFORT WHICH WE CAN PASS TO MFA OFFICIALS, INCLUDING GUIDANCE ON USG ROLE AND ITS PLEDGE, OTHER COMMITMENTS TO DATE, PLANS FOR A DONOR MEETING, AMOUNTS OF PLEDGES, ETC.  
ANDERS

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## Message Attributes

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